

PUBLIC DISCLOSURE

October 27, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WINCHESTER SAVINGS BANK

90308

**661 MAIN STREET
WINCHESTER, MASSACHUSETTS 01890**

Division of Banks

1000 Washington Street, 10th Floor

Boston, MA 02118

Federal Deposit Insurance Corporation

350 Fifth Avenue, Suite 1200

New York, New York 10118

<p>NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</p>

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Winchester Savings Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **October 27, 2014**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance of the institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these tests is summarized below:

Lending Test

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The net loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 13 quarters since the prior CRA evaluation, dated July 11, 2011, was 72.4 percent. As of June 30, 2014, the Bank's ratio was 72.9 percent.

Assessment Area Concentration

A majority of the Bank's home mortgage and sampled commercial and commercial real estate (CRE) loans were in the institution's assessment area. During 2012, 2013, and year-to-date (YTD) 2014, 67.7 percent of the total number of home mortgage loans and 54.2 percent of the total number of sampled commercial and CRE loans were made in the assessment area. Overall, 66.9 percent of the number of loans and 61.4 percent of the dollar amount were inside the assessment area.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The Bank made a reasonable percentage of home mortgage and commercial and

CRE loans within moderate-income census tracts. There are no low-income tracts in the assessment area.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes.

Response to Complaints

Winchester Savings Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test

The institution is rated “**Satisfactory**” under the Community Development Test.

The institution’s community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such community development opportunities in the institution’s assessment area.

SCOPE OF EXAMINATION

This evaluation assesses Winchester Savings Bank’s performance under the CRA utilizing Interagency Intermediate Small Bank (ISB) Examination Procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). These procedures include two performance tests: a Lending Test and a Community Development Test.

The Lending Test considered the Bank’s home mortgage and commercial and CRE lending. A greater weight is placed on the Bank’s home mortgage lending performance, as this represents the Bank’s primary lending focus as indicated by a review of the Bank’s most recent Report of Condition and Income (Call Report), dated June 30, 2014.

The data reviewed includes originated home mortgage loans as reported on the Bank’s Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for the full calendar years 2012 and 2013 as well as data collected for YTD 2014 (January through June 30, 2014). Data reported on the LARs includes home purchase, refinance and home improvement lending secured by 1-4 family residential and multi-family (5+ units) properties. The Bank reported 220 loans totaling approximately \$85 million in 2012 and 184 loans totaling \$74 million in 2013. For YTD 2014, the Bank originated 56 loans totaling \$24 million. The Bank’s lending performance was compared with aggregate lending data for 2012, the most recent year for which aggregate data was available. Aggregate lending data includes all financial institutions, exclusive of Winchester Savings Bank, subject to HMDA reporting requirements which made at least one HMDA reportable loan within the Bank’s assessment area.

As the Bank does not report small business lending data, a sample of commercial and CRE loans was used. The sampling procedure utilized a 90.0 percent confidence interval with a level of precision plus or minus 15.0 percentage points. This means there is a 90.0 percent chance that the results from the sample will be within 15.0 percentage points of the true proportion. A sample of eight loans for each year of the review period, including YTD 2014 was utilized to evaluate the

Bank's lending performance. Both the number and dollar volume of loans were reviewed; however, the number of loans is weighted more heavily than the dollar volume, as the number of loans is less likely to be influenced by factors such as business size. No aggregate lending data is available for this review, so the Bank's performance was evaluated relative to the business demographics of the assessment area.

Home mortgage and commercial and CRE lending represent 98.8 percent of the Bank's total loan portfolio and were the only product lines included within the analysis. The evaluation of the Bank's lending performance is focused on the number of loans originated; however, the dollar volume of originations is also discussed within the Lending Test performance. Additionally, consumer loans are not a primary product for the institution, so these loans were not reviewed.

The Community Development Test includes a review of community development loans, investments and services for the period since the prior evaluation on July 11, 2011 through October 27, 2014. The previous CRA examination conducted by the Division and the FDIC as of July 11, 2011 using ISB examination procedures resulted in an overall rating of "Satisfactory."

Data utilized in this evaluation was obtained from the 2010 United States (U.S.) Census, unless otherwise noted.

PERFORMANCE CONTEXT

Description of Institution

Winchester Savings Bank is a mutually-owned financial institution with four locations in Middlesex County. The main office, located in a middle-income census tract in Winchester, also serves as a full-service branch and houses all administrative and executive offices. The Bank operates two full-service branches in Woburn, one located within a moderate-income tract and another in a middle-income tract. The Bank's third branch is located in Arlington within an upper-income tract. In November of 2011, the Bank closed one branch in Winchester. ATMs are available at all branch locations and at two additional locations in Winchester. The Bank also operates a loan production office in Winchester.

Winchester Savings Bank offers consumer and business banking products, and investment services through WSB Investment Group. The Bank's consumer banking products include, but are not limited to, checking accounts, savings accounts, conventional fixed-rate mortgages, jumbo mortgages, adjustable-rate mortgages, and home equity lines of credit. The Bank also offers a first-time home buyer program. On the commercial side, the Bank offers checking and savings products, as well as CRE loans, term loans, and lines of credit.

The Bank's total assets remained consistent since the previous examination as it was \$533 million as of June 30, 2011 and \$534.1 million as of June 30, 2014. Net loans total \$331.0 million, representing growth of approximately 4.4 percent since the prior evaluation. Loans account for 62.0 percent of total assets, followed by securities at 27.5 percent and cash at 5.9 percent.

Table 1 summarizes the Bank's loan portfolio as of June 30, 2014.

Table 1 – Loan Portfolio Distribution as of June 30, 2014		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans (%)
Loans Secured by Real Estate		
Construction, Land Development, and Other Land Loans	3,648	1.1
Secured by 1-4 Family Residential Properties	250,583	75.1
Secured by Multi-Family (5 or more) Residential Properties	20,561	6.2
Secured by Nonfarm Nonresidential Properties	56,199	16.8
Commercial and Industrial	2,280	0.7
Loans to Individuals for Household, Family, and Other Personal Expenditures	579	0.1
Other Loans	35	0.0
TOTAL LOANS	333,885	100.0

Source: June 30, 2014 Call Report

The Bank's loan portfolio is primarily comprised of residential real estate lending (81.3 percent), followed by CRE lending (16.8 percent). The Bank's loan portfolio distribution remained largely unchanged since the previous evaluation.

The prior CRA evaluation was conducted by the Division and FDIC as of July 11, 2011, and also utilized ISB procedures. The evaluation resulted in an overall "Satisfactory" rating. There are

no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires that a financial institution define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

The Bank's assessment area includes the following cities and towns: Arlington, Lexington, Medford, Melrose, Reading, Stoneham, Winchester, and Woburn. The Bank's assessment area is comprised of 52 contiguous census tracts located in Middlesex County in Massachusetts. The assessment area does not contain any low-income tracts, but does contain 9 moderate-income tracts, 27 middle-income tracts, and 16 upper-income tracts. These municipalities are part of the Cambridge-Framingham-Newton, Massachusetts (MA) Metropolitan Division (MD) #15764.

The Bank did not expand its assessment area since the previous evaluation, but due to changes in data from the 2000 to 2010 U.S. Census the number of tracts increased from 51 to 52. The assessment area currently contains two additional moderate-income tracts, three fewer middle-income tracts, and two additional upper-income tracts. Due to changes in the FFIEC estimated median family income in 2014, the number of moderate-income tracts within the Bank's assessment area fell from nine in 2013 to seven in 2014.

To assess the Bank's lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

Table 2 – Assessment Area Demographic Information (2013)					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	52		17.3	51.9	30.8
Population by Geography	263,072		13.7	53.1	33.2
Owner-Occupied Housing by Geography	72,005		9.9	53.4	36.7
Business by Geography	24,570		10.9	53.3	35.8
Distribution of Families by Income Level	67,826	17.8	16.1	23.2	42.9
Median Family Income (MFI)		\$109,605	Median Housing Value	\$499,741	
FFIEC Estimated MD #15764 MFI, 2012		\$106,400			
FFIEC Estimated MD #15764 MFI, 2013		\$101,100			
FFIEC Estimated MD #15764 MFI, 2014		\$93,300	Unemployment Rate	4.0%	
Families Below Poverty Level		3.3%			

Source: 2010 U.S. Census; 2012, 2013, & 2014 FFIEC Estimated Median Family Incomes

Median Family Income Levels

According to 2010 U.S. Census the assessment area contains 67,826 total families. It should be noted that upper-income families represent 42.9 percent of the total families, suggesting a

relatively wealthy assessment area. Together, middle- and upper-income families make up approximately 66.1 percent of all families within the assessment area.

Furthermore, the *Geographic Distribution* section of the Lending Test assesses the distribution of loans by census tract income level, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the Metropolitan Statistical Area (MSA) or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent, but less than 80 percent of MFI

Middle-Income: At least 80 percent, but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

Housing Characteristics

Housing units within the assessment area in 2013 totaled 110,249, of which 72,005, or 65.3 percent, were owner-occupied, and 32,562 or 29.5 percent were rental occupied, while 5,682, or 5.2 percent, are vacant. Of the owner-occupied units within the assessment area, 9.9 percent are in moderate-income tracts, 53.4 percent are in middle-income tracts, and 36.7 percent are in upper-income tracts. The high proportion of owner-occupied units in middle- and upper-income tracts may be indicative of limited home mortgage lending opportunities within moderate-income tracts. The median housing value in the assessment area was \$499,741, which reflects a very affluent assessment area and a potential affordability gap for low- and moderate-income families. It should be noted that low- and moderate-income families make up approximately 34 percent of families within the assessment area.

Competition

The Bank faces significant competition within the assessment area. In 2012, there were 29,559 HMDA-reportable loans originated or purchased by 399 home mortgage lenders within the assessment area, which included large regional and national banks as well as mortgage companies. Within the assessment area, Winchester Savings Bank ranked 43rd with a 0.6 percent market share.

Unemployment Data

The unemployment rate for the assessment area in 2013 was 4.0 percent. As of August 2014 the unemployment rate in Middlesex County, according to the Bureau of Labor Statistics, was 4.9 percent, and the unemployment rate in Massachusetts was 5.8 percent. This information suggests that economic conditions in the assessment area may be slightly better than State-wide economic conditions.

Business Demographic Data

There were 24,570 non-farm businesses in the assessment area in 2013. Of these, 73.1 percent had gross annual revenues (GARs) of \$1.0 million or less and 5.3 percent had GARs of more than \$1.0 million. The remaining 21.6 percent of businesses did not report revenue.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are

available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation.

A community contact was conducted with a local government organization focused on community development in a municipality within the institution's assessment area. The agency focuses on a wide-range of community development initiatives including, but not limited to, affordable housing and first-time homebuyer seminars. The contact stressed that the greatest need in the area is affordable housing, as the majority of new developments are luxury condominiums. The contact also mentioned that local non-profit organizations could use additional funding in the form of grants, specifically organizations providing services for senior citizens. A second community contact, a non-profit organization operating within the Bank's assessment area, echoed the need for sustainable affordable housing, and also mentioned needs for financial literacy targeted towards low- and moderate-income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: LTD Ratio, Assessment Area Concentration, Geographic Distribution, Borrower Profile, and Response to CRA Complaints. Overall, the Bank's performance under this test is "Satisfactory."

Loan-to-Deposit (LTD) Ratio

The LTD ratio criterion evaluates the percentage of the Bank's deposit base that is reinvested in the form of loans. The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average LTD ratio, calculated using Call Report data, over the prior 13 calendar quarters from June 30, 2011 to June 30, 2014, was 72.4 percent. The ratio was generally stable throughout the review period ranging from a low of 70.0 percent as of December 31, 2011 to a high of 75.6 percent as of March 31, 2013, and was also consistent with the LTD ratio cited at the prior evaluation of 72.3 percent. As of June 30, 2014 the ratio was slightly above the average at 72.9 percent.

The Bank's net LTD ratio was compared to the average LTD ratios of two similarly situated institutions, as determined by geographic location, asset size, and loan portfolio composition. As shown in Table 3, the similarly situated institutions had net LTD ratios of 71.7 percent and 85.7 percent which are comparable to the Bank's performance.

Table 3 – Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(000) as of 06/30/2014	Average Net LTD Ratio 06/30/2011 – 06/30/2014
Winchester Savings Bank	534,102	72.4%
Winchester Co-operative Bank	564,445	71.7%
Reading Co-operative Bank	438,949	87.5%

Source: 06/30/2011 through 06/30/2014 Call Reports

Assessment Area Concentration

The Bank originated a majority of home mortgage and commercial and CRE loans within its delineated assessment area during 2012, 2013, and YTD 2014.

Table 4 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
HMDA										
2012	149	67.7	71	32.3	220	51,467	60.6	33,509	39.4	84,976
2013	124	67.4	60	32.6	184	49,172	66.2	25,101	33.8	74,273
YTD 2014	38	67.9	18	32.1	56	14,962	61.7	9,279	38.3	24,241
Total	311	67.7	149	32.3	460	115,601	62.8	67,889	37.2	183,490
Commercial & Commercial Real Estate										
2012	4	50.0	4	50.0	8	1,095	56.7	835	43.3	1,930
2013	6	75.0	2	25.0	8	1,192	21.0	4,477	79.0	5,669
YTD 2014	3	37.5	5	62.5	8	658	32.6	1,363	67.4	2,021
Total	13	54.2	11	45.8	24	2,945	36.8	6,675	63.2	9,620
Grand Total	324	66.9	160	33.1	484	118,546	61.4	74,564	38.6	193,110

Source: 2012, 2013, and YTD June 30, 2014 HMDA Data, 2012, 2013 and YTD June 30, 2014 Sample of Commercial/CRE Loans, and 2010 US Census Data.

Home Mortgage Lending

The Bank's HMDA LARs submitted for 2012, 2013 and YTD 2014 were utilized to evaluate the Bank's lending performance within its assessment area. During the review period, the Bank made a total of 460 HMDA reportable home mortgage loans totaling approximately \$183 million, of which, 311 loans, or 67.7 percent, totaling \$115.6 million, or 62.8 percent, were extended within the assessment area.

As detailed in Table 4, the Bank's lending within the assessment area by percentage of originations was consistent from 2012 through YTD 2014. However, the total number of HMDA originations declined 16.4 percent between 2012 and 2013. A more detailed review of originations by loan purpose indicates reductions are primarily related to refinancing where a 23.9 percent decline in this area was identified. Purchases increased 10.5 percent over the same period. YTD 2014 lending data indicates a continuation of this trend. Mitigating factors include assessment area demographics, high median home prices of nearly \$500,000, and significant competition within the assessment area. The top 10 lenders within the assessment area were dominated by large, national banks and mortgage companies which accounted for 41.9 percent of the total market share.

Commercial and Commercial Real Estate Lending

A sample of eight commercial or CRE loans was selected for each calendar year 2012, 2013, and YTD 2014. Overall, the Bank granted 54.2 percent of commercial and CRE loans within the assessment area by number and 36.8 percent by dollar volume. The Bank is predominantly a residential lender.

Geographic Distribution

The Bank's lending data reflects a reasonable dispersion throughout the assessment area. The assessment area includes no low-income census tracts and nine moderate-income census tracts.

Home Mortgage Lending

The Bank's home mortgage lending activity reflects reasonable dispersion throughout the assessment area. Table 5 illustrates the Bank's distribution of HMDA reportable lending by

census tract income level in comparison with aggregate lending data and the percentage of owner-occupied units. As shown in Table 5, the Bank made a lower percentage of loans within moderate-income census tracts than either aggregate or the percentage of owner-occupied units. The Bank faces significant competition in the assessment area. A review of the 2012 data revealed 362 financial institutions reported the origination of at least one loan in the moderate-income tracts, with Winchester Savings Bank ranking 33rd.

During 2012, 6.7 percent of loans originated within the assessment area were extended to borrowers within moderate-income census tracts. The Bank's performance is slightly below aggregate lending and also below the percentage of owner-occupied units. However, the Bank showed a positive trend in 2013. It should be noted that six of the nine moderate-income census tracts are located in Medford where the Bank does not have a physical branch presence, thus limiting the Bank's potential lending opportunities.

Table 5 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner- Occupied Housing Units	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank	
			#	%	#	%
Moderate	9.9	7.9	10	6.7	11	8.9
Middle	53.4	50.0	52	34.9	50	40.3
Upper	36.7	42.1	87	58.4	63	50.8
Total	100.0	100.0	149	100.0	124	100.0

Source: 2010 U.S. Census Data; 2012 and 2013 HMDA Data

In YTD 2014, lending in moderate-income census tracts declined with only one loan representing 2.6 percent of the Bank's originated loans. However, changes in the demographics of the assessment area in 2014 reduced the number of moderate-income tracts from nine to seven further limiting the Bank's lending opportunities in these areas.

Commercial and Commercial Real Estate Lending

Commercial and CRE lending performance was evaluated based on the sample of eight commercial and CRE loans originated in each of the calendar years of 2012 and 2013. In 2012, the Bank made 25.0 percent of commercial and CRE loans within moderate-income census tracts. In 2013, the Bank increased lending in these tracts with 50.0 percent of loans extended in these income tracts. The increase in loans from 2012 to 2013, along with the percentage within the moderate-income tracts, reflects favorably on the Bank; however, the small volume of loans captured in the sample somewhat tempers the performance.

During 2014, the Bank did not originate any sampled loans to businesses located in moderate-income census tracts. Despite this lack of loans, overall, the Bank exhibited reasonable dispersion within the area's moderate-income tracts.

Table 6 – Distribution of Commercial and CRE Loans by Income Category of the Census Tract									
Census Tract Income Level	% of Businesses	Bank 2012				Bank 2013			
		Number of Loans		Loan Amount (000)		Number of Loans		Loan Amount (000)	
		#	%	\$	%	#	%	\$	%
Moderate	10.9	1	25.0	125	11.4	3	50.0	617	51.8
Middle	53.3	2	50.0	800	73.1	2	33.3	500	41.9
Upper	35.8	1	25.0	170	15.5	1	16.7	75	6.3
Total	100.0	4	100.0	1,095	100.0	6	100.0	1,192	100.0

Source: 2010 U.S. Census Data and Loan Sample Data from 2012 and 2013

Borrower Profile

The Bank's lending inside the assessment area represents a reasonable penetration among borrowers and businesses of all income levels.

Home Mortgage Lending

The Bank's HMDA LARs for 2012 and 2013 were utilized to evaluate the Bank's lending based on borrower income level. Low- and moderate-income applicants were identified by comparing LAR reported income with the MFI for the Cambridge-Newton-Framingham, MA MD in which the assessment area is located. The Bank's lending performance was evaluated relative to aggregate lending data for all lenders operating within the assessment area (exclusive of Winchester Savings Bank) and assessment area income demographics as illustrated in Table 7.

Table 7 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families 2012	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank	
			#	%	#	%
Low	17.8	4.4	13	8.7	8	6.5
Moderate	16.1	16.2	12	8.1	13	10.5
Middle	23.2	26.2	30	20.1	18	14.5
Upper	42.9	41.4	86	57.7	83	66.9
Income NA	0.0	11.8	8	5.4	2	1.6
Total	100.0	100.0	149	100.0	124	100.0

Source: 2010 U.S. Census Data; 2012 and 2013 HMDA Data

During 2012, the Bank granted 8.7 percent of the total loans in the assessment area to low-income borrowers at a rate almost double that of aggregate lending data. Market share reports show the Bank ranked 19th among low-income borrowers relative to their 43rd rank in overall market share.

During 2012, the Bank's lending to moderate-income borrowers lagged aggregate lending data, but still represented reasonable performance. As previously noted, high median housing prices of nearly \$500,000 make home ownership difficult for low- and moderate-income borrowers. To increase lending to these borrowers, the Bank participates in several affordable housing programs in which purchasers are chosen by lottery. Performance in 2013 was consistent with 2012 as 17.0

percent of loans were made to low- and moderate-income borrowers; however, 2013 experienced a slight decline in percentage and number to low-income borrowers and a slight increase to moderate-income borrowers.

Lending data for YTD 2014 illustrates a slight decline with 13.2 percent of home mortgage loans extended to moderate-income borrowers and no loans extended to low-income borrowers. Changing demographics in the Bank's assessment area during 2014 resulted in a decline in the percentage of total families considered low- and moderate-income from 33.9 percent in 2012 to 30.6 percent in 2014.

Commercial and Commercial Real Estate Lending

The distribution of both the number and dollar volume of sampled loans originated to businesses by level of GARs is presented in Table 8. The distribution of loans is evaluated in light of the business demographics within the assessment area. In 2012 and 2013, the Bank made 75.0 percent and 100.0 percent of commercial and CRE loans within the assessment area to businesses with GARs of \$1 million or less. The 2012 level is consistent with business demographics in the area which show 73.1 percent of businesses have GARs below \$1 million.

Table 8 – Distribution of Commercial and CRE Loans by Gross Annual Revenues of Business									
Gross Annual Revenues (000s)	% of Total Businesses	Bank 2012				Bank 2013			
		#		\$(000s)		#		\$(000s)	
	%	#	%	\$	%	#	%	\$	%
≤ \$1,000	73.1	3	75.0	925	84.5	6	100.0	1,192	100.0
> \$1,000 or N/A	22.9	1	25.0	170	15.5	0	0.0	0	0.0
Total	100.0	4	100.0	1,095	100.0	6	100.0	1,192	100.0

Source: 2010 U.S. Census Data and Loan Sample Data from 2012 and 2013

Furthermore, the Bank's activity for YTD 2014 indicates that all three loans inside the assessment area were granted to businesses with GAR less than \$1 million.

Commercial and CRE loans were further reviewed to determine the average loan amount at origination.

Table 9 – Distribution of Commercial and Commercial Real Estate Loans by Loan Size								
Loan Amount (000s)	Bank 2012				Bank 2013			
	#	%	\$	%	#	%	\$	%
< \$100	0	0.0	0	0.0	1	16.7	75	6.3
≥ \$100 < \$250	2	50.0	295	26.9	3	50.0	530	44.5
≥ \$250 ≤ \$1,000	2	50.0	800	73.1	2	33.3	587	49.2
Total	4	100.0	1,095	100.0	6	100.0	1,192	100.0

Source: 2010 U.S. Census Data and Loan Sample Data from 2012 and 2013

As shown in Table 9, based on the sample of loans reviewed, no loans below \$100,000 were made within the assessment area during 2012. In 2013, one loan was originated at less than \$100,000 to a business located within an upper-income census tract indicating the Bank is trying to serve the credit needs of the smallest businesses throughout the assessment area.

Of the three loans inside the assessment area for YTD 2014, the Bank granted one loan less than \$100,000.

Response to CRA Complaints

No CRA related complaints were received by the bank during the review period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of the substantive provisions of anti-discrimination laws and regulations, or other illegal credit practices, were identified.

COMMUNITY DEVELOPMENT TEST

Winchester Savings Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Opportunities to extend community development loans, investments, and services were determined through an analysis of demographic information, which shows that 33.9 percent of assessment area families are categorized as low- or moderate-income (LMI) according to 2010 U.S. Census data. Additionally, discussions with community contacts indicated that affordable housing is the primary need for low- and moderate- income individuals. The contact also stated that other areas of need are financial literacy courses for LMI individuals and various financial and housing assistance services for the elderly. A review of public evaluations of similarly situated institutions indicated there are both needs and opportunities related to community services for the LMI population in the assessment area.

Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The Bank originated two community development loans totaling approximately \$597,000 since the previous examination, dated July 11, 2011. The Bank had one loan for \$150,000 at the last evaluation. The current level of community development loans represents approximately 0.18 percent of net loans.

The Bank's lending focus is to originate loans secured by residential real estate. From the Bank's most recent Call Report, dated June 30, 2014, 81.3 percent of total loans are secured by residential real estate. As a result, a majority of the Bank's originations are reported on its LAR and were considered under the Lending Test.

The following is a description of the two community development loans originated during the evaluation period.

- In November 2013 the Bank originated a \$567,000 mortgage to for the purchase of a 6-family home located in Malden. Five of the units are currently occupied by Section 8 residents, the federal government's housing choice voucher program for assisting very low-income families. To qualify, a family's income may not exceed 50.0 percent of the median income for the county or metropolitan area in which the family chooses to live. The remaining unit is vacant, but also hopes to be rented by another Section 8 resident. The home is located outside the Bank's assessment area in Malden, a neighboring city in Middlesex County that is considered a part of the Bank's larger geographic and regional area.
- In May 2013 the Bank originated a \$30,000 line of credit to a housing corporation that serves a town within the Bank's assessment area. The line of credit will be used for community development purposes and property related expenses. The organization provides and advocates for decent, affordable housing for low- and moderate-income families and individuals living in Arlington and its surrounding communities.

Qualified Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Total qualified investments and donations for this evaluation period totaled approximately \$1.6 million dollars.

Qualified Equity Investments

Equity investments totaled \$1.4 million and included one new investment totaling \$1.0 million and two investments with a book value of \$418,072 outstanding which were identified during the previous examination period. The Bank's qualified equity investments represent approximately 0.26 percent of total assets.

The following summarizes the Bank's qualified equity investments.

NuPath, Inc.

The Bank invested \$1.0 million in a Massachusetts Development bond participation loan to NuPath, Inc. in the form of a tax exempt bond. NuPath supports individuals with developmental disabilities and provides quality care in the form of day and residential programs. The organization's primary service area includes towns in the Bank's assessment area of Lexington, Medford, and Woburn. The organization serves adults with developmental disabilities who are primarily low- and moderate- income. The organization also provides affordable housing in the form of group homes for persons living with disabilities in 16 locations throughout Middlesex County.

Massachusetts Housing Finance Agency (MassHousing)

MassHousing is a non-profit organization that provides financing for homebuyers and homeowners, developers, and owners of affordable rental housing. The agency sells federally authorized, tax-exempt bonds to fund the creation and preservation of affordable housing through offering financing options at below-market interest rates. The affordable housing primarily benefits low- and moderate-income individuals and families. The Bank purchased four of these bonds during the past evaluation period for a total value of \$1.2 million. Since the previous examination two of these bonds were called and the current book value of the two outstanding bonds is \$212,910.

City of Lowell Municipal Bond

During the previous examination period the Bank made a \$200,000 investment in the form of a participation in a municipal bond to the City of Lowell. The proceeds of the bond went to fund a public safety center, land acquisition, streetlight equipment, and various water and sewage projects. The City of Lowell is primarily comprised of low- and moderate- income census tracts and is located within the Bank's broader regional and geographic area of Middlesex County. There is limited opportunity for such investments inside the Bank's assessment area where there are only nine moderate-income census tracts and no low-income census tracts. The current book value of the outstanding investment is \$205,162.

Qualified Donations

During the evaluation period, the Bank made \$274,251 in total donations, of which \$159,748, or 58.2 percent, was qualified under CRA. The grants and donations provided by the Bank help provide a variety of services to low- and moderate-income individuals and families. This includes food assistance, education, affordable housing, and homeless prevention.

Table 10 illustrates the Bank's community development donations by year and by purpose.

Table 10 – Community Development Grants and Donations												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2011	2	8,375	9	14,670	0	0	0	0	0	0	11	23,045
2012	5	18,000	17	32,003	0	0	0	0	0	0	22	50,003
2013	5	19,750	19	32,250	0	0	0	0	0	0	24	52,000
2014	4	6,250	16	28,450	0	0	0	0	0	0	20	34,700
Total	16	52,375	61	107,373	0	0	0	0	0	0	77	159,748

Source: Bank Records

*Targeted to Low- or Moderate-Income Individuals

** In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Please refer to the following sample of organizations that Winchester Savings Bank granted donations to during the examination period.

Mission of Deeds – This non-profit agency located in Reading, Massachusetts has a mission of distributing beds, furniture, and other household items in good condition to LMI families and individuals living in Middlesex and Essex counties. More than half of the families who receive

assistance are mothers and their children, many of whom have lived at shelters for the homeless and battered women.

Medford Community Housing- The organization's mission is to promote the development, rehabilitation and maintenance of affordable housing in Medford, with a special focus on housing for low- and moderate-income people. The City of Medford contains six moderate-income census tracts.

Community Services Network – The organization's mission is to help low- and moderate-income clients access the knowledge, skills, and services that promote independence and self-sufficiency. The organization's programs include advocacy and case management, family counseling, and homebuyer classes.

North Suburban YMCA – The YMCA provides programs that promote healthy living, youth development, and social services to individuals that reside in Woburn, Burlington, Winchester, and Arlington. The Bank's donation went to the Annual Fund which provides financial assistance to LMI families that cannot afford membership fees.

Homeowner Options For MA Elders- This organization's mission is to protect the equity of low- and moderate-income elderly homeowners through foreclosure prevention counseling. The organization also partners with local lenders to provide specialized loan products to its LMI clients.

Qualified Community Development Services

A community development service has community development as its primary purpose and is related to the provision of financial services or technical services and assistance.

Bank Employee and Director Involvement

Bank officers and employees are involved in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following information summarizes the Bank's involvement.

Caritas Communities- This organization develops, builds, and manages affordable housing for low- and moderate-income individuals in the Greater Boston area, including the assessment area. The Chief Loan Officer of the Bank serves as the Chairman of the organization's Audit and Finance Committee.

Council of Social Concern- The Council provides affordable childcare, parenting and wellness education, and food assistance to needy families residing in the town of Woburn. The majority of the families are low- or moderate-income. The Bank's Compliance Officer provides her financial expertise on the organization's Board.

Massachusetts Community and Banking Council- This organization brings together financial institutions, housing advocates, and public officials to expand home ownership opportunities for low- and moderate-income homebuyers and sustain home ownership in low- and moderate-income neighborhoods. The Bank's Residential Lending Officer serves on the organization's Mortgage Lending Committee.

Housing Corporation of Arlington- The Corporation provides and advocates for decent, affordable housing for low- and moderate-income families and individuals in Arlington and surrounding communities. The Chief Loan Officer of the Bank serves as the organization's treasurer.

Woburn Redevelopment Authority- This organization provides low- and moderate-income residents with monetary assistance for home repairs. A Mortgage Loan Officer of the Bank provides his expertise to the organization by serving as a committee member.

Housing Families- This organization provides temporary shelter and affordable housing to homeless and at-risk families. The Bank's Vice President of Marketing provides her expertise on the organization's Board.

Woburn Development Corporation- This organization provides funding for economic development projects in the town of Woburn. The Bank's Chief Executive Officer provides his financial expertise as a member of the organization's Board. The City of Woburn contains two moderate-income census tracts.

Griffin Foundation for Winchester- the Foundation provides scholarships to low- and moderate-income students that reside in the town of Winchester. A Mortgage Loan Officer of the Bank serves on the organization's Finance Committee.

Other Community Services

- The Bank offered an in-house first-time homebuyers seminar in the summer of 2012. This seminar was geared to attract low- and moderate-income individuals. The seminar was organized in conjunction with Community Service Network and 24 people were in attendance.
- *Interest on Lawyers Trust Accounts (IOLTA)* - The Bank maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program of Massachusetts, which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil and legal services for low-income clients. During the evaluation period, the Bank paid \$30,420.78 in interest on these accounts.
- The Bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

APPENDIX A

Fair Lending Policies and Procedures

The Bank has clear lending policies and procedures that address measures to mitigate potential risk areas. Additionally, the Bank tracks exceptions to loan policy and provides adequate training to all staff involved in lending. No indication of illegal credit practices were identified during the evaluation. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

MINORITY APPLICATION FLOW

The Bank's residential lending in 2012 was compared with 2012 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 11 for information on the Bank's minority application flow as well as a comparison to aggregate lending data within the Bank's assessment area.

Table 11- Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.6	0.1	0	0
Asian	3	1.7	8.5	2	1.4
Black/ African American	6	3.5	0.9	1	0.7
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	1	0.6	1.6	5	3.5
Total Minority	11	6.4	11.2	8	5.6
White	125	72.2	63.8	97	67.3
Race Not Available	37	21.4	25.0	39	27.1
Total	173	100.0	100.0	144	100.0
ETHNICITY					
Hispanic or Latino	1	0.6	0.9	1	0.7
Not Hispanic or Latino	113	65.3	73.2	92	63.9
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.8	2	1.4
Ethnicity Not Available	59	34.1	25.1	49	34.0
Total	173	100.0	100.0	144	100.0

Source: 2012 and 2013 HMDA data & 2012 HMDA Aggregate Data

According to the 2010 U.S. Census data, the Bank's assessment area contained a total population of 263,072 individuals, of which 17.3 percent are minorities. The assessment area's minority and ethnic population consists of 3.5 percent Black/African American, 8.1 percent Asian/Pacific Islander, 0.1 percent American Indian, 3.2 percent Latino, and 2.5 percent Other.

In 2012, the Bank received 173 HMDA reportable loans within its assessment area. Of these applications 11, or 6.4 percent, were received from minority applicants. The Bank was below the aggregate mark of 11.2 of applications from minority groups. Of these applications 81.8 percent resulted in originations. In 2012 the Bank received one application representing 0.6 percent of applications from the Hispanic or Latino ethnic group which did not result in an

origination. This Bank was slightly below the aggregate mark of 0.9 percent of applications from the Hispanic or Latino ethnic group. The Bank approved minority applicants at roughly the same rate when compared to aggregate lending figures. Overall, 67.7 percent of Hispanic applicants received loans and 81.0 percent of minority applicants received loans in 2012 within the assessment area.

In 2013, the Bank slightly decreased its application flow (5.6 percent) to minority borrowers and slightly increased its application flow to Hispanic and Latino applicants (0.7 percent). Through June 30, 2014 the Bank did not receive any applications from minority borrowers and one application from a Hispanic borrower within its assessment area.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family

or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one has incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 661 Main Street, Winchester, Massachusetts 01890."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.